

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Washington Analyst: Colin Stevens Bill Number: AB 203

Related Bills: See Prior Analysis Telephone: 845-3036 Amended Date: 5/28/99

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Employer Qualified At-Risk Youth Wages Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

X FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 24, 1999, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would allow a credit equal to one-third of the wages paid or incurred by a qualified employer located in Los Angeles County for the first year of employment of a qualified at-risk youth. The credit would be limited to \$5,000 per youth. Additionally, this bill would allow a credit equal to the amount paid or incurred by the employer for the services of a county probation or parole officer, not to exceed \$300 for each at-risk youth.

Under the Government Code, this bill would allow a county board of supervisors to impose a one-time fee upon a qualified employer of up to \$300 for the services of a probation officer in the supervision of a qualified at-risk youth.

Under the Penal Code, this bill also would require a probation officer to provide verification of an employee's status as a qualified at-risk youth.

In uncodified law, this bill would require the Franchise Tax Board (FTB) and the Legislative Analyst's Office (LAO) to report annually on aspects of this credit and the county probation departments to track recidivism rates among at-risk youths who qualify an employer for credit.

### SUMMARY OF AMENDMENT

The May 28, 1999, amendment would limit the application of this bill to a qualified employer located in the County of Los Angeles.

Except for the amendments described above, the revised revenue analysis and the technical consideration shown below, the department's previous analysis of the bill as amended March 24, 1999, still applies.

#### Board Position:

<u>      </u> S	<u>      </u> NA	<u>      </u> NP
<u>      </u> SA	<u>      </u> O	<u>      </u> NAR
<u>      </u> X N	<u>      </u> OUA	<u>      </u> PENDING

Department/Legislative Director Date

**Johnnie Lou Rosas 6/11/1999**

### Technical Considerations

According to staff at the author's office, the May 28, 1999, amendments are intended to apply to qualified at-risk-youths working within the geographic boundaries of the county of Los Angeles for a qualified employer. Amendments 1, 2, 3 and 4 would clarify this intent.

### Tax Revenue Estimate

The bill is estimated to impact PIT and B&CT revenue as shown in the following table.

Fiscal Year Cash Flow Effective 1/1/99 Enactment Assumed After June 30, 1999 \$ Millions			
	1999-0	2000-01	2001-02
PIT Revenue	(Negligible*)	-\$1	-\$2
B&CT Revenue	(Minor loss**)	-\$2	-\$4
Total	(Minor loss**)	-\$3	-\$6

\* Loss less than \$250,000

\*\* Loss less than \$500,000

This estimate does not account for any changes in employment, personal income, or gross state product that might result from this proposal.

### Tax Revenue Discussion

The revenue impact of the bill as introduced January 21, 1999, is reduced to reflect the limitation of the credit to taxpayers located in Los Angeles County. The estimate is reduced from \$1 million to minor losses in 1999-00, \$4 million to \$3 million in 2000-01, and from \$8 million to \$6 million in 2001-02. For purposes of this estimate, it was assumed that the qualified at-risk youth would work in Los Angeles County for a qualified employer. Except for the reduction in the number of qualifying at-risk youth and the attendant reduction in estimated losses, the remaining assumptions and analyses are the same as the original bill.

Of the 3,500 qualified at-risk youths assumed from the analysis of the bill as introduced, it was assumed that approximately 71% of this total (2,500 individuals) participating in the federal work opportunity program would qualify private sector employers located in Los Angeles County for the proposed credit. This was based on population information from the County and City Data book for 1994 (a supplement of the U.S. Statistical Abstract).

### BOARD POSITION

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill as introduced January 21, 1999.

Analyst	Colin Stevens
Telephone #	845-3036
Attorney	Patrick Kusiak

FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 203  
As Amended May 28, 1999

AMENDMENT 1

On page 4, line 32, after "employed" insert:  
within the County of Los Angeles

AMENDMENT 2

On page 5, line 4, after "taxpayer" delete "located" and insert:  
who operates a trade or business

AMENDMENT 3

On page 7, line 1, after "employed" insert:  
within the County of Los Angeles

AMENDMENT 4

On page 7, line 11, after "taxpayer" delete "located" and insert:  
who operates a trade or business